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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 004609

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TAGS: [ECIN](#) [EPET](#) [ETRD](#) [PREL](#) [IZ](#) [TU](#)

SUBJECT: TURKEY AND IRAQ DEADLOCKED ON SECOND BORDER

CROSSING AS BOTTLENECK AT HABUR CONTINUES

REF: A. ANKARA 4366

[¶](#)B. KIMMEL-SNOW E-MAILS DTD 8/3 AND 8/4

Classified By: Acting DCM James Moore for reasons 1.4 (b) and (d)

[¶](#)1. (C) Summary: With reports of increasingly tight fuel supplies in Iraq, the Charge called the MFA Deputy Under Secretary for Economic Affairs and wrote to the GOT to urge

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whatever action can be taken by Turkish customs to maximize throughput at Habur Gate. Separately, an MFA official gave Econoff a readout on last week's Turkey-Iraq bilateral discussions on a second border crossing. The talks appear to be hopelessly deadlocked, with Iraq pushing a second gate near Habur, and Turkey insisting on a second route--not just a crossing--substantially further west. While there will be a modest expansion of capacity at Habur in a year or so, significant easing of congestion by means of a second crossing seems a distant prospect. A separate but related issue continues to be late payments by SOMO, which the GOT fears could result in a breakdown in the fuel supply line at any time. The GOT is trying to get SOMO officials to come to Turkey to discuss setting up a more workable system. End Summary.

Urging Turkish Customs to Maximize throughput at Habur:

[¶](#)2. (C) Following ref b's reports of severe tightness in fuel supplies in Iraq, post endeavored to engage the GOT to urge that every possible measure be taken to maximize throughput of fuel supplies at the congested Habur Gate. Post understands from the U.S. military LNO at the border that the customs staff is doing everything it can under difficult conditions. However, additional throughput might be achievable if additional personnel were assigned to Habur--a challenge that Turkish customs has had difficulty meeting in the past.

[¶](#)3. (C) Charge spoke to MFA Deputy Under Secretary for Economic Affairs Ender Arat on August 5 and asked that all possible measures be taken. Arat confirmed our understanding that Turkish customs had problems getting personnel to work at Habur and had to pay a premium. On the other hand, he took the point that it was bad for fuel shortages in Iraq to reach such a critical stage, and acknowledged that the truck backlog was too long, and not in Turkey's financial interest. He undertook to talk to Customs. Post sent over a diplomatic note, copying it to Turkish Customs. We have also arranged a meeting with the Acting Under Secretary for Customs in the coming days.

Second Gate Talks Deadlock:

[¶](#)4. (SBU) Separately, Econoff met with MFA Deputy Director General for Economic Affairs Mehmet Gucuk for a readout of last week's bilateral talks with Iraq on a second border crossing that took place in Ankara July 28-29. Representatives of the Iraqi Ministries of Transport, Trade, and Foreign Affairs attended, as well as the director of the Iraqi side of the border gate. The Turkish side was led by Director General for Economic Affairs, Oguz Ozge. Gucuk confirmed press reports that, as with the previous meeting, the two sides remain far apart.

[¶](#)5. (C) According to Gucuk, the Iraqi side will only consider a second gate near Habur, which would connect with the existing roads on either side of the border. Gucuk said the Turks tried to convince the Iraqis that a new route was needed, not just a new crossing, since the roads between Iraq and Turkey would see increased volume as Iraq stabilized and these roads would be the main route from Europe to Iraq. Gucuk said the Turkish side sees little utility in creating a second border crossing that will join up with the existing road on the Iraqi side of the border. As in the past, Gucuk referred to Turkey's longstanding concern that the existing route allows KDP guards to garner border fees whereas the Turkish-proposed route near Ovakoy--though it would still pass briefly through KDP-controlled territory--stands a better chance of channelling border fees to the central

government. In earlier meetings, Gucuk expressed GOT frustration that they could not get the central government in Baghdad to understand this and to exert some control over Barzani on this issue. Gucuk was clearly resigned to an extended deadlock on the second gate issue. He said the Iraqi side had wanted to issue a statement that the talks had been useful but the Turkish side did not see the utility of such a statement.

Measures to Ease Habur Gate Congestion:

¶6. (SBU) Aside from building a second crossing, two other initiatives are in the works to expand existing capacity; however, neither will be completed quickly and neither is likely to meet existing volume requirements. Gucuk said that the Union of Turkish Chambers of Commerce (TOBB) has a contract on a Build-Operate-Transfer basis from the Turkish State to rehabilitate and expand the Habur Gate. Gucuk said TOBB had done a similar BOT project at the border crossing between Turkey and Bulgaria. Post understands that TOBB will soon take over operation of the gate and begin its work. This may cause short-term disruption however when the work is completed--expected in a year or so--it is expected to expand capacity by roughly 50 percent, according to press reports. Another initiative is to create a pipeline across the border, as reported in ref A. While positive, these initiatives may not be sufficient to meet peak volumes such as the current level of truck traffic.

MFA Asserts SOMO Late Payments a Threat to the System:

¶7. (SBU) Gucuk again raised the problem of delayed payments by SOMO to Turkish contractors. As of July 21, SOMO owed Turkish suppliers \$572 million, of which more than half were in arrears. Gucuk said the GOT is concerned that the recurring problem of SOMO paying late posed a constant threat to the supply chain. The suppliers, many of them small companies, could not continue to do business without receiving more timely payments. Gucuk said that it would be bad for Iraq if the suppliers stop shipping or seize shipments to settle arrears. According to Gucuk, the small suppliers do not feel they have the bargaining power individually to convince SOMO to pay more quickly, so they are pressing the GOT to try to work out a more comprehensive solution. Gucuk said the MFA is working through its Ambassador in Baghdad to request SOMO send some of its officials to Turkey to discuss the issue. He said the Turkish side would prefer a system using letters of credit, or some way of putting the payment system on a sustainable basis. Comment: Though the suppliers continue to ship, the fact that larger private companies have exited this business and the single largest supplier is state-owned TPIC with \$173 million in unpaid bills lends credence to the MFA's contention that the current situation may not be sustainable. Even TPIC, which Gucuk has told us in the past is being pressured by the GOT to continue shipping, has urged us to pass word to SOMO that it cannot continue to pay late. End Comment.

Iraq REO Minimize Considered.
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